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Third annual progress report on the strategic heritage plan of the United Nations Office at Geneva

Report of the Secretary-General

Summary

The present progress report on the strategic heritage plan of the United Nations Office at Geneva is submitted pursuant to section X of General Assembly resolution 70/248 A, in which the Assembly approved the overall scope, schedule and estimated cost of the project following its consideration of the second annual progress report of the Secretary-General (A/70/394 and Corr.1).

The present report provides an update on the activities undertaken in connection with the project and the information requested by the General Assembly in resolution 70/248 A. It also provides updated cost estimates regarding the project and detailed information on possible alternative funding mechanisms, including the utilization of future rental income and the valorization of United Nations-owned land.

Several key project tasks were accomplished during the reporting period, including: (a) the completion of a detailed design for the new permanent building and a portion of the existing buildings; (b) the completion of the technical design and launching of the bid for early construction work; (c) the commencement of the technical design and tender documentation for the new building; (d) the completion of revised cost estimates based on the aforementioned tasks; and (e) the application for the loan package from the host country.

The project is proceeding in accordance with the approved maximum overall cost of CHF 836.5 million, a total duration of eight years (2015-2023) and the scope and quality targets described in the second annual progress report of the Secretary-General.

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The General Assembly is requested to take note of the report and the progress made since the issuance of the second annual progress report of the Secretary-General; decide on the scheme and currency of appropriation and assessment to be used for the project; approve the establishment of a multi-year special account for the project; approve the establishment of one additional staff position; authorize the strategic heritage plan to access the working capital fund established under financial regulation 4.2 of the Financial Regulations and Rules of the United Nations and the special account, depending on the scheme of appropriation and assessment decided upon by the Assembly; approve the establishment of a valorization team and authorize the use of part of the rental income of the United Nations Office at Geneva to fund the related financial requirements; and approve the use of future confirmed income generated through the valorization of United Nations-owned land in Geneva to fund the project, and reduce accordingly proposals for appropriation and assessments on Member States.

I. Introduction

1. The present progress report on the strategic heritage plan of the United Nations Office at Geneva is submitted pursuant to section V of General Assembly resolution 68/247 A, section III of Assembly resolution 69/262 and section X of Assembly resolution 70/248 A.

2. The project continues to be implemented in accordance with its previously reported objectives, addressing key health and safety deficiencies of the Palais des Nations and working to provide modern and functioning conference and office facilities that will meet the current and future requirements of the United Nations and its Member States.

3. The project timeline and the approved maximum overall cost of CHF 836.5 million have been reconfirmed, entailing the commencement of the construction of the new building in 2017, followed by the renovation of the historic buildings of the Palais des Nations, to be started no later than 2019, with overall project completion scheduled for 2023.

4. The present report summarizes the planning and related actions accomplished under the project to date and presents an update on:

(a) The governance and project assurance oversight framework, including the role of the risk management firm in providing independent project assurance;

(b) The progress of the project;

(c) The concrete steps taken to implement flexible workplace strategies, together with an update on the ongoing efforts to gather data on building occupancy utilization to further increase space efficiencies;

(d) Measures to eliminate physical, communications and technical barriers to persons with disabilities;

(e) The programme schedule of work;

(f) Overall cost estimates based on the latest design information;

(g) The steps taken to identify additional sources of income through valorization and other measures;

(h) The receipt of voluntary contributions from Member States;

(i) The status of the dedicated project management team, its dedicated operational experts, contracted external expertise and consultancy services.

5. The report also contains an update on matters related to the financing of the project, including information on the status of the application for, and discussions on the terms and modalities of, the envisaged loan arrangement with the host country. It sets out information on the anticipated expenditure profile, including funding mechanisms, donations and any possible additional income from rent, valorization options and other income-generating activities that could be factored into the comprehensive project financing plan.

6. Information on all other considerations highlighted by the General Assembly in resolution 70/248 A, including the possibility of attracting additional United

Nations entities to the renovated Palais des Nations, the functional arrangements of the Steering Committee and the Advisory Board and how the recommendations of the latter are incorporated into the management and oversight of the project, is also included in the report.

II. Update on project governance

A. Advisory Board

7. Pursuant to section X, paragraphs 7 and 8, of resolution 70/248 A, the Secretary-General is pleased to provide more detailed information on the functional arrangements and the composition, technical expertise and decision-making mechanisms of the Advisory Board, as an external body that supports the project owner in overseeing the implementation of the strategic heritage plan. The Board comprises six Member State representatives located in Geneva, constituting broad regional representation. The Chair, who has a professional background as an architect, has previously served in a similar role on another major capital project for an intergovernmental organization and therefore offers specific technical expertise. The Board will be supported in its work by ex officio members, including a representative from the Office of Central Support Services of the Department of Management at Headquarters, a senior representative from the United Nations Office at Geneva nominated by the project owner, and the Project Director.

8. The role of the Advisory Board is to provide independent and impartial advice to the Director-General of the United Nations Office at Geneva in his capacity as project owner, to ensure that the overall interests of Member States are served during the planning and implementation of the project. This includes, but is not limited to, monitoring the realization of the strategic objectives and benefits of the project and adherence to timelines and budgetary provisions. The Board receives regular progress reports and briefings on the project and is responsible for carefully monitoring all key developments related to it. The Board also provides advice to the project owner from the perspective of Member States on major issues arising during the project, focusing on, inter alia, budget and schedule performance, scope control, the conferencing and related requirements of Member States, risk management and the preservation of heritage.

9. The Advisory Board held three meetings during the reporting period, in September 2015 and in April and August 2016. Meetings are planned to be held quarterly unless the Board determines otherwise. As requested by the General Assembly in section X, paragraph 6, of resolution 70/248 A, at its most recent meeting, held in August 2016, the Board made a number of recommendations to the project owner on a range of key issues, which have been incorporated into the overall management and strategic oversight structure of the project.

B. Steering Committee

10. Pursuant to section X, paragraphs 7 and 8, of resolution 70/248 A, the Secretary-General wishes to confirm that the Steering Committee is an internal

expert and stakeholder body. It is co-chaired by the Director-General of the United Nations Office at Geneva and the Under-Secretary-General for Management, and includes heads of departments or their appointed representatives, as well as representatives from leading departments and offices in Geneva and New York having a direct operational interest in and the capacity to provide specific technical expertise to the project. Those departments and offices include the United Nations Conference on Trade and Development, the Office of the United Nations High Commissioner for Human Rights (OHCHR), the Economic Commission for Europe, the Department of Safety and Security, the Office of Central Support Services, the Office of Programme, Planning, Budget and Accounts, the Department for General Assembly and Conference Management, the Office of Information and Communications Technology and the Division of Administration of the United Nations Office at Geneva. The Committee receives regular progress reports and briefings on the strategic heritage plan project, with a particular focus on potential and proposed changes to the project.

11. The Steering Committee is also responsible for providing advice to the project owner on required standards, budgetary controls, contingency allowance management and other matters that may arise during the course of the project design and implementation. It also maintains oversight, monitors the overall performance of the project in terms of cost, budget and quality on the basis of its agreed overall scope and relevant decisions of the General Assembly, and provides related advice to the project owner.

12. The Steering Committee held three meetings during the reporting period, in February, June and October 2016. Meetings are held quarterly unless the Committee determines otherwise. At the meetings held to date, the Committee has provided guidance on several issues and has robustly reinforced the definition of the scope of the strategic heritage plan project to ensure tight control over any potential expansion of that scope.

C. Project assurance

Independent risk management

13. Pursuant to section X, paragraph 11, of resolution 70/248 A, independent risk management of the project is provided by an international specialist consultancy firm, which provides input to the project owner to ensure that the risks posed to the completion of the project are recognized, understood and managed as effectively as possible. Recognizing and taking action on potential risks early in the project will greatly increase the chances that its objectives will be fully achieved. To that end, the firm's representatives are co-located with the project management team and have access to all relevant project information.

14. The consultancy firm prepares quarterly reports for the Director of Administration and the Project Director, containing independent analysis of the risks, impacts and mitigation strategies of the strategic heritage plan. It maintains the programme risk register, holds quantitative and qualitative risk identification, assessment and mitigation workshops with all the project stakeholders on a regular basis and provides advice and guidance to the project management team in real time.

15. The firm also analyses the identified risks and the cost and schedule forecasts provided by the project team to determine the level of confidence that overall cost and schedule objectives will be met. Quantitative analysis is used to ensure that the established level of the contingency provision is sufficient to provide adequate certainty that the project will be completed within the maximum overall cost approved for it.

Board of Auditors

16. The recommendations contained in the report of the Board of Auditors on the strategic heritage plan (A/70/569) have either been fully implemented or are in progress and pending final implementation. A table summarizing the recommendations and the status of their implementation is provided in annex II to the present report.

D. Management of the strategic heritage plan

17. As reported in annexes II and IV to the first progress report of the Secretary-General (A/69/417 and Corr.1), the overall corporate governance structure of the strategic heritage plan and the composition of the dedicated project management team remain largely unchanged, with one exception.

18. In keeping with a lesson learned from other ongoing capital projects undertaken by the Organization, and as a result of a clearer understanding of the requirements of the project at this stage of the development of its design, it is necessary to augment the team of operational experts with an additional post of Procurement Officer (P-4). As procurement is among the highest risks identified in the project, it is essential that adequate resources be in place to ensure that the numerous procurement actions required are carried out in strict accordance with United Nations procurement policies and within the established timelines. The related additional financial resources implications of this additional post will be met within the maximum overall cost approved for the project.

19. Given the specialized nature of the project, and to ensure the highest level of continuity throughout its implementation, the Secretary-General will continue to make adjustments to the dedicated team as required. Any such changes will be reported to the General Assembly in the context of the annual progress reports of the Secretary-General and will be met within the maximum overall cost approved for the project.

20. Furthermore, in order to ensure the continuity of staff and the preservation of institutional knowledge, and in accordance with a recommendation of the Board of Auditors resulting from the lessons learned from the capital master plan, a specific staff retention policy is being developed for the project in line with United Nations human resources rules and regulations. Information on progress towards the development of an enhanced staff retention policy will be included in future reports.

III. Progress

A. Status of activities

21. The project continues to be implemented in accordance with the previously established key project objectives to provide modern and functional conference and office facilities to support the current and future requirements of the United Nations and its Member States.

22. During the reporting period, significant progress was made in terms of planning and design activities, including: the issuance of consultancy contracts for technical support services and local legal services; the completion of a detailed design and 50 per cent of the technical design/tender documentation for phase 1, the new building and existing buildings A and B1; the engagement of a specialist consultant to carry out occupancy studies related to the implementation of flexible workplace strategies; the further development of measures to eliminate physical, communications and technical barriers to persons with disabilities; and the further refinement of the schedule of work, which has been updated as more detailed design information has become available.

23. The project is moving forward in line with the overall schedule and the approved maximum overall cost. The detailed design has been completed, and projected cost estimates are updated monthly and at key deliverable milestones. The risks associated with the project have been extensively reviewed and analysed, and appropriate mitigation strategies have been developed to include adjustments in the allocation of the contingency provision.

B. Detailed design and technical design

24. The detailed design phase, which commenced in the latter part of 2015, was completed in the first quarter of 2016, as planned (phase 1: new permanent building). The detailed design builds upon the earlier feasibility study and concept design and provides the basis for the revised detailed cost estimate, which, following a series of value engineering workshops at the end of the design stage, remains within the approved maximum overall cost.

25. The detailed design provides many more architectural and technical details regarding the construction of the new permanent building and the phase 1 renovation work (buildings A and B1), in line with the established objectives of the project, including with respect to: (a) the form and functions of the buildings; (b) accessibility measures to eliminate physical, communications and technical barriers to persons with disabilities; (c) indicative space configuration; (d) fire safety provisions; (e) structural design; (f) electrical, mechanical and low-voltage systems; (g) information technology and broadcast systems; and (h) energy/sustainability.

26. As of the end of the detailed design process, the design was dimensionally correct and coordinated, describing all the main components of the buildings and how they fit together. In accordance with construction industry practice, at the end of the design stage more technical aspects of the design still required further development and designs by specialists that had not yet been fully incorporated.

27. Following the completion of the detailed design, the technical design/tender documentation preparation phase commenced in early 2016, with the predefined contractual milestone of 50 per cent completion achieved in June 2016 (phase I: new building). This phase of the design process is currently on track for completion by the end of October 2016. It builds further upon the detailed design by providing comprehensive technical design information, including the incorporation of specialist designs, and will enable potential tendering construction contractors to fully commence the preparation of their detailed pricing offers towards the end of 2016. The information on the achievement of this milestone also provides the basis for the revised detailed cost estimates contained in the present report.

28. In parallel with this phase of the design work, a voluntary construction permit application has been submitted to the local Swiss cantonal authorities. This requires very specific and detailed submissions and the review of information relating to compliance with local building standards, codes and legislation. Confirmation of voluntary compliance with Swiss building codes and standards is expected to be received for the new building in October 2016, prior to the issuance of the tender for the new construction.

29. Once the completeness of the technical design and of the preparation of tender documentation has been confirmed, the design and specifications will be fully frozen, in mid-October 2016.

C. Flexible workplace strategies

30. In accordance with section X, paragraph 13, of resolution 70/248 A, regarding the application of flexible workplace strategies, the project team, in the detailed design stage and thereafter, has continued to analyse and set the design prerequisites to allow for the implementation of flexible workplace strategies within both the new building and the existing buildings.

31. The new building, to be initially used primarily as swing space, is designed to provide open workspaces with built-in flexible infrastructure to accommodate all of the features of flexible workplace strategies. In accordance with lessons learned from the flexible workplace strategies project currently under way in New York, as well as with industry best practice, it is essential that adequate effort and time be allowed for the implementation of the required change management process. Only after this process is well advanced will the potential benefits of implementing flexible workplace strategies be known. To that end, the strategic heritage plan team will specifically determine, unit by unit, the various types of working environments required and study and engage the staff regarding their functional work requirements and space utilization patterns in order to tailor the spaces to meet their needs.

32. Because the occupants of the existing buildings will be required to move into the new building at some point during the project and will spend a significant amount of time in a flexible office space arrangement, it is expected that lessons will be learned and best practices developed by the various departmental units concerned during the early years of the project implementation period. Those lessons can be applied later in the design process and may further enhance the

functionality and efficiency of the existing buildings, as they will be based on the stakeholders' needs and requirements. Changes could also be cost-effectively applied to the new building at the end of the project, given that the environment is already designed in such a way as to be conducive to ongoing evolution.

33. The existing buildings present more of a challenge with regard to the application of flexible workplace strategies, owing to the constraints of heritage and historical preservation. The renovation of those buildings will, where possible, change the existing closed cellular offices to a hybrid layout that includes a mixture of both closed and open office environments. This approach will significantly improve the functionality of the existing workplace at the Palais des Nations. In the existing buildings, however, this hybrid approach, and respect for the heritage of the buildings, are further constrained by the technical requirement for air conditioning and forced ventilation, which are necessary when walls are removed and shared spaces become larger than four of the current offices in size. The addition of central air conditioning to the existing buildings was not contemplated in the original scope of the project and cannot be accommodated within the approved maximum total project cost.

34. In order to test a flexible workplace environment prior to final implementation in the new building and in some areas of the existing buildings, a concept for a pilot environment programme will be designed. The pilot will be used both as a mock-up for technical requirements and as a change management tool with respect to stakeholder communications and feedback.

D. Space efficiency

35. Pursuant to section X, paragraph 15, of resolution 70/248 A, the strategic heritage plan team, in order to accurately forecast potential space efficiency gains, is commissioning a study in the fourth quarter of 2016 on the utilization of existing space. The study will be carried out using the same expert consultancy firm as that used to conduct a similar study at Headquarters. This will enable the strategic heritage plan to benefit directly from the lessons learned from the Headquarters project and will have the added benefit of ensuring consistency so that the results of the two projects can be compared accurately.

36. Following the implementation of the strategic heritage plan, the number of staff accommodated within the Palais des Nations will increase from 2,800 to 3,500, representing a 25 per cent increase in occupancy.

37. Although the majority of the increased space utilization efficiency will be achieved in the new building, space efficiencies will also be realized in the existing buildings, where practicable, through the addition of open spaces and the reorganization and reallocation of individual spaces that have become unevenly distributed over many years. The majority of the space efficiencies realized from that process will be used to create much-needed collaboration and support spaces for staff in the existing buildings, which are currently severely lacking.

38. Once the space utilization study has been completed with respect to both the design of the new building and the existing premises, the strategic heritage plan will be able to define a Geneva-specific space efficiency ratio related to flexible

workplace strategies and determine the possibility of increasing the number of staff accommodated within the Palais by more than the 25 per cent currently envisaged. The Secretary-General will then be in a position to accurately report to the General Assembly on the further space efficiencies to be realized.

39. With respect to the information requested in section X, paragraph 28, of resolution 70/248 A regarding the possibility of attracting additional United Nations entities to be accommodated at the renovated Palais des Nations, the Secretary-General continues to actively engage other United Nations entities present in Geneva to encourage them to move to the Palais des Nations, where they would benefit from its central location and shared amenities.

40. In addition to OHCHR, which is included in the current project plan, the United Nations Children's Fund has expressed its intention to relocate to the Palais des Nations campus by the end of 2019, subject to confirmation that sufficient space can be created to accommodate them under the current constraints of the project. The United Nations Joint Staff Pension Fund, the United Nations Office for Disaster Risk Reduction and the World Food Programme have also expressed interest in finding accommodation in the Palais.

E. Space guidelines

41. As indicated in paragraphs 46 and 47 of the second annual progress report of the Secretary-General, the strategic heritage plan team developed space guidelines specific to the United Nations Office at Geneva on the basis of the office space planning guidelines for the capital master plan in New York.

42. In the light of the ongoing design development phase and the lessons learned from the flexible workplace strategies project in New York, the strategic heritage plan team recognizes that the present hierarchical space attribution per individual and per grade level does not work in applying flexible workplace strategies, and therefore the current project space guidelines will be reviewed further, following the completion of the space utilization study. The study will also review and evaluate the information technology infrastructure set-up for personal computing, telephony and mobile office applications, on the basis of current best practices.

F. Furniture

43. In line with paragraph 87 of his second annual progress report, the Secretary-General confirms that the existing furniture will be reutilized to the maximum extent possible. The targeted rates of reuse remain approximately 50 per cent of free-standing furniture and up to 80 per cent of chairs, in line with initial planning. The existing free-standing furniture will be reused in the enclosed offices and in conference and meeting rooms. The historic furniture will be kept and protected during the renovation and construction phases, and will be refurbished and reinstalled. In addition, whenever possible, the existing conference furniture will be kept and the new congress, simultaneous interpretation and audiovisual equipment will be integrated appropriately.

44. The new open space environments in the new and existing buildings will require new furniture, given that the majority of the existing furniture is not suitable for use in such environments. Furthermore, and in line with lessons learned from the capital master plan, the amount of work required for the adaptive reuse of the furniture, coupled with the requirement for new types of furniture in the present space, makes extensive reuse neither feasible nor cost-effective. Provision for new furniture has been included in the approved maximum overall project cost.

G. Update on measures to eliminate physical, communications and technical barriers to persons with disabilities

45. In section X, paragraph 30, of resolution 70/248 A, the General Assembly requested the Secretary-General to ensure that the implementation of the strategic heritage plan took into account measures to eliminate physical, communications and technical barriers to persons with disabilities, in particular regarding the improvement of the conference facilities, with full respect for the provisions of the Convention on the Rights of Persons with Disabilities. In that connection, the Secretary-General confirms that an exhaustive analysis has been provided by a specialist consultancy firm that has prepared an implementation plan for outdoor and indoor accessibility.

46. The full indoor accessibility implementation plan, which was included in the original scope of the project, has been included in the design and in the baseline cost, as opposed to the proposed outdoor accessibility implementation plan, which was not part of the original scope. Nevertheless, it was recognized that part of the outdoor plan could be included in the project. Accordingly, the most important features, such as ramps and some directional signage, have been integrated into the baseline scope by way of value engineering exercises.

47. Both implementation plans, indoor and outdoor, have been shared with the strategic heritage plan working group on disability, which has provided feedback. The comments formulated have been integrated into the successive design stages and will be shared with the group. Further consultation meetings are planned to ensure continued engagement with the disabled community at the Palais des Nations as well as with the broader Geneva and global communities.

48. The strategic heritage plan team is also actively participating in meetings held by the Committee on the Rights of Persons with Disabilities and the United Nations Interdepartmental Task Force on Accessibility on the implementation of accessibility and reasonable accommodation.

49. With a view to improving accessibility and mobility around the campus through efforts other than the initiatives currently included in the scope of the project, the strategic heritage plan is part of the recently established United Nations Office at Geneva mobility working group aimed at sharing the outputs of the established accessibility master plan and enhancing mobility inside and outside the campus.

H. Information and communications technology strategy

50. The scope of the strategic heritage plan project includes a significant information and communications technology (ICT) component, comprising primarily a structured cabling system and a wireless computer network to support an increasingly mobile workforce. The ICT systems are critical in providing the necessary connectivity to all users, staff, delegates and visitors and enabling other services and systems, including conferencing systems, audiovisual and broadcast systems, remote participation and collaboration, and telephony and videoconferencing systems. Under the current plan, cybersecurity and physical security have converged, and therefore enterprise physical security systems will require the effective operation of secure network services. During the project, the ICT infrastructure deployed in the new building will be connected and integrated with the core infrastructure already present in the existing buildings. In a second phase, corresponding to the renovation of the existing buildings, the core infrastructure will undergo major renovation so that systems are modernized and will support the additional staff moving onto the premises. As a consequence, the ICT infrastructure used to provide secure and resilient network connectivity to users, devices and systems will be newly designed and built (in the case of the new building) or significantly upgraded (in the case of the existing buildings).

51. In the context of the growing prevalence of pervasive technology in the everyday lives of delegates and staff members, it is of the utmost importance to ensure that decisions affecting the ICT infrastructure properly address the operational needs of the users and entities co-located in the Palais des Nations compound, and that those decisions are aligned with the strategic goals of the Organization. To those ends, several coordination bodies have been established to capture specific requirements and to coordinate the decisions related to the ICT infrastructure. A technical coordination committee comprising representatives from the Office of Information and Communications Technology and the Office of Security and Safety in New York and from the Information and Communication Technology Service and the strategic heritage plan project team in Geneva was established at the recommendation of the Chief Information Technology Officer. The goals of the committee include ensuring that decisions are aligned with the ICT strategy and that lessons learned from similar projects, including the capital master plan at Headquarters, are taken into account during all phases of the project.

52. It should be recognized that during the relatively long life of the strategic heritage plan project, technological elements and IT support requirements will almost certainly undergo significant changes and the risks emerging from the ever-accelerating innovation cycles will need to be carefully reviewed and managed to ensure that what is finally delivered will match user requirements at the end of the project and is scalable to evolving elements in the future.

53. Throughout the design phase, the strategic heritage plan team has identified a number of areas in which the project depends on the outcomes of other local and global ICT initiatives in order to be able to successfully meet its objectives. To achieve the full potential of the new office space configuration, especially in the light of the current study on the implementation of flexible workplace strategies, it is of paramount importance that staff be provided with adequate and modern ICT

tools. This will promote and empower them to work in a more efficient and flexible manner and will also improve the ability of the Organization to support related ongoing initiatives, such as staff mobility and flexible work arrangements. The above-mentioned initiatives will need to have been fully implemented by the time the new building is completed in 2019.

I. Risk management

54. The independent risk management firm has conducted an analysis of the risks and uncertainties relating to both the project schedule and the project budget during each quarter since the previous annual reporting period. This forecast analysis includes the results of an assessment of the risks identified by the United Nations Office at Geneva project team, the project management firm and the lead design firm. To date, no changes to the approved maximum overall cost of the project are forecast and no allowance for potential changes has been made in the risk analysis. The risk contingency forecast provided by the independent risk management firm uses the estimated costs of the current risks and uncertainties relating to the project and, given the likelihood and potential impact of those risks, calculates the recommended level of contingency provision required to complete the full scope of the project and achieve all of its identified benefits and objectives.

J. Project schedule

55. The latest programme schedule indicates the next key project milestones, as follows:

(a) Enabling work (site preparation) construction firm appointed in early 2017 to undertake the preparatory work for the construction of the new building;

(b) Construction firm appointed in 2017 for the major construction work on the new building;

(c) Construction firm appointed in 2018 for the major renovation work in the existing buildings;

(d) Completion of the construction work on the new building in 2019;

(e) Completion of the renovation of the existing buildings in 2023.

56. The latest revised schedule of work is set out in figure I and includes a comparison with the schedule contained in the second annual progress report of the Secretary-General. A summary of the changes is as follows:

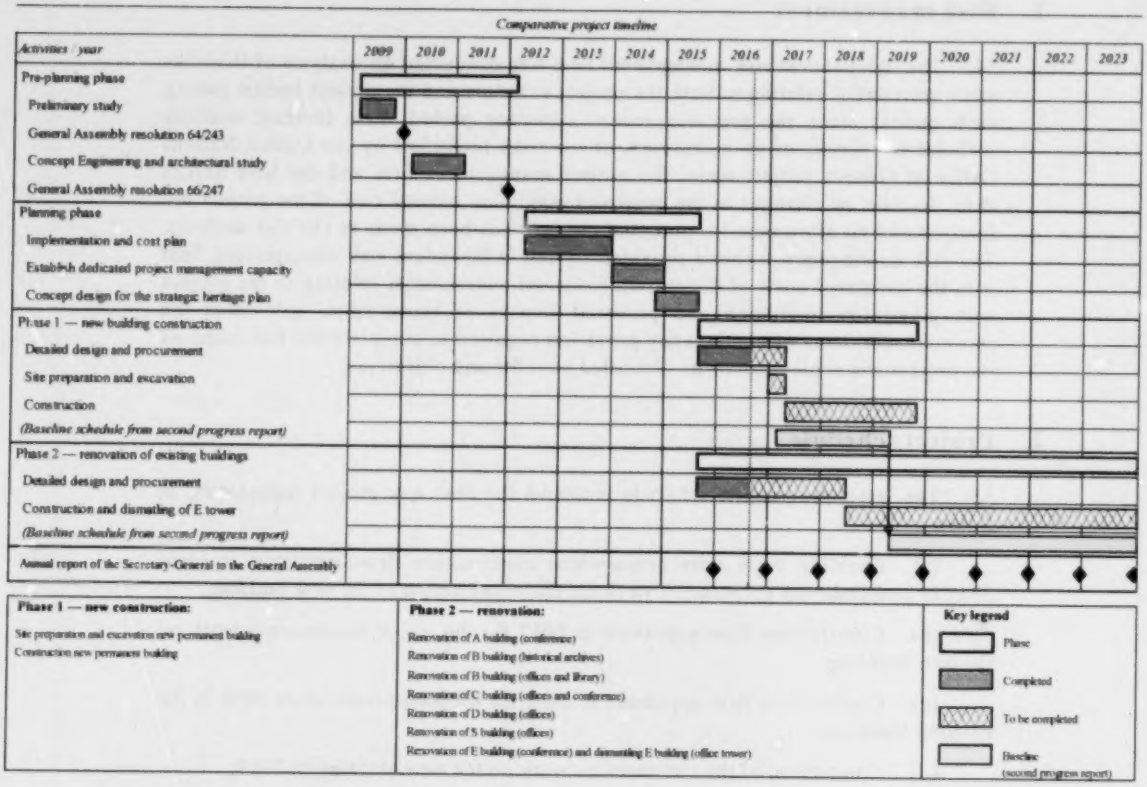
(a) The construction of the new building has been separated into two contracted work packages: enabling work (site preparation) and construction;

(b) The overall duration of the new building work has been increased by 10 months owing to the further development of the technical design and the more extensive site preparation requirements;

(c) The competitive international tender for the renovation work has been brought forward to mid-2018 (instead of 2019), as several areas of work have been

identified that do not require staff relocations, such as renovations of the conference rooms, the cafeteria and the archives. Those areas of work can therefore be carried out in parallel with the construction work on the new building, which helps to fast-track the project schedule.

Figure I
Project schedule



K. Costs

57. The General Assembly, in section X, paragraph 4, of resolution 70/248 A, approved the estimated cost of the strategic heritage plan in the maximum amount of CHF 836.5 million. In section X, paragraph 5, of the resolution, the Assembly requested the Secretary-General to ensure that any change affecting the scope of the project was presented for the consideration and decision of the Assembly. The overall scope of the strategic heritage plan project remains unchanged, and therefore its overall estimated cost remains unchanged at CHF 836.5 million.

58. The revised yearly cost plan, based on the completed detailed design, is presented in table 1.

Table 1
Projected summary cost plan for the strategic heritage plan project from 2014 to 2023
(Thousands of Swiss francs)

	2014	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*Total*
Construction of new building	–	–	–	31 966	52 611	29 412	–	–	–	–	113 989
Renovation work	–	–	–	–	10 301	38 905	138 383	54 887	111 928	4 075	358 478
Dismantling of seven floors of the E building	–	–	–	–	–	–	–	10 895	9 080	–	19 975
Associated costs	–	–	252	1 537	4 240	11 332	13 205	11 038	9 229	1 727	52 559
Consultancy services	1 705	23 685	36 591	5 577	7 974	5 517	9 065	11 313	11 940	4 858	118 225
Project management	1 268	2 890	4 253	4 628	4 598	4 517	4 518	4 493	4 493	3 223	38 882
Escalation	–	–	–	336	1 638	3 201	8 949	6 601	12 741	1 390	34 857
Subtotal	**2 973**	**26 575**	**41 097**	**44 044**	**81 361**	**92 884**	**174 120**	**99 227**	**159 410**	**15 272**	**736 963**
Contingencies	–	–	1 953	5 797	10 629	15 263	16 531	18 655	21 209	4 170	94 207
Escalation on contingencies	–	–	–	45	234	568	888	1 334	1 851	410	5 330
Total	**2 973**	**26 575**	**43 050**	**49 886**	**92 223**	**108 715**	**191 539**	**119 216**	**182 470**	**19 853**	**836 500**

59. Changes to the previously submitted cost plan are a result of a further refinement and higher level of detail with respect to activities and the cost data that have become available as the design work has been developed. In particular, the strategic heritage plan team has updated the plan for the construction of the new permanent building by commencing with a separate smaller enabling work package contract. As a result, the main new construction work will start some six months later than originally envisaged, leading to a significant reduction in the projected amount of resources required in 2017 compared with the previous yearly cost plan. In addition, as explained in paragraph 18 above, it is proposed that an additional position of Procurement Officer (P-4) be established, within the approved maximum cost estimate of CHF 836.5 million.

60. The contingency provision continues to be reviewed on the basis of the quantitative risk assessment described in section II.B above and the refinement of related mitigating actions. As a result, the contingency provision included in the cost plan amounts to CHF 94.2 million, excluding escalation, for the period 2016-2023, of which CHF 92.2 million relates to the years from 2017 onwards, compared with the amount of CHF 88.6 million set out in the second annual progress report of the Secretary-General for the same period. It should be noted that the overall cost exposure identified through the risk analysis process carried out by the risk management consultant is currently CHF 98.3 million, net of escalation, which is higher than the contingency provision included in the updated cost estimate.

61. With regard to escalation, the strategic heritage plan team has again jointly reviewed with professional cost advisers the official updated historical data provided by the Swiss Federal Statistical Office, as well as future escalation forecasts. The estimated annual escalation rates for the project for the forthcoming years remain unchanged compared with the previous report, at 1.2 per cent in 2017 and 1.6 per cent per year thereafter, applied to the planned monthly expenditures of each cost element. Escalation is calculated with respect to the construction, renovation and dismantling costs, associated costs, consultancy services, project management and contingencies, but excluding services already contracted for. The previously estimated escalation for 2016 is absorbed into the realized 2016 actual cost, which will continue to be standard practice in forthcoming reporting years. The strategic heritage plan will continue to monitor and update these escalation forecasts throughout the project.

62. Actual expenditure for the project during the period from 2014 to 31 August 2016 amounted to CHF 54,253,300, and the projected expenditures for the period from September to December 2016 are estimated at CHF 18,345,000, as presented in table 2.

Table 2
Approved funding, projected expenditures and contingencies for 2014-2016
(Thousands of Swiss francs)

Description	*Approved 2014-2015*	*Approved 2016*	*Total approved 2014-2016*	*Expenditure as at 31 August 2016*	*Projected September-December 2016*	*Total projected expenditure 2014-2016*
Design, consultancy and contracted external expertise	37 087.5	29 012.3	66 099.8	47 717.6	16 792.4	64 510.0
Project management team and operational expert team	4 039.5	3 998.5	8 038.1	6 398.0	1 494.9	7 892.9
Travel	115.4	81.0	196.4	137.7	57.7	195.4
Total	**41 242.5**	**33 091.8**	**74 334.3**	**54 253.3**	**18 345.0**	**72 598.3**

IV. Financing

A. Host country loan agreement

63. The General Assembly, in Section X, paragraph 19, of resolution 70/248 A, approved the financing of the project in part through a loan from the host country at a zero interest rate, and authorized the Secretary-General to formally apply for the loan in the amount of CHF 400 million. The Secretary-General has continued to negotiate with the host country on the most preferential terms and modalities for the loan agreement, which are subject to final approval by the Parliament of Switzerland.

64. The Secretary-General formally applied for the loan from the host country in January 2016. In June 2016, the first chamber of the Swiss Parliament (the National Council) gave its approval. The second chamber of Parliament (the Council of States) ratified it on 29 September 2016, thus formally approving the loan.

65. The loan would cover the eligible costs of the new construction work during the period 2017-2019, namely, construction and consultancy service costs, which were estimated at CHF 125.1 million, including escalation. The remainder of the loan, in the amount of CHF 274.9 million, would be used for eligible cost elements of the renovation work, namely, construction and consultancy service costs, including escalation.

66. This arrangement is summarized in table 3.

Table 3
Summary of the loan package
(Millions of Swiss francs)

	Loan amount
Loan 1 — new construction (repayable over 50 years)	125.1
Loan 2 — renovation (repayable over 30 years)	274.9
Total	**400.0**

B. Scheme of appropriation and assessment

67. In his second annual progress report, the Secretary-General presented for decision by the General Assembly three possible schemes of appropriation and assessment for the project (one-time up-front appropriation and assessment, multi-year appropriations and assessments, or one-time up-front appropriation with a mix of one-time and multi-year assessments), as well as two options for the currency of appropriation and assessment (United States dollar or Swiss franc). The Assembly, in resolution 70/248 A, decided to revert to the establishment of an appropriation and assessment scheme and a currency of appropriation and assessment for the strategic heritage plan at the main part of its seventy-first session. As requested by the Assembly in the resolution, updated detailed information on those issues is provided in the paragraphs below.

68. As the General Assembly, in resolutions 68/247 A, 69/262 and 70/248 A, appropriated a total amount of CHF 74.3 million for the period 2014-2016, and in the light of voluntary contributions received in the amount of CHF 1.9 million (see para. 124 below), the cost of the project that remains to be financed by Member States amounts to CHF 360.3 million (excluding repayment of the loans).

69. The two sources of funding (the loan, both for the new permanent building and for the renovation part of the project, and contributions by Member States) would be used each year as follows:

(a) As explained in paragraph 65 above, the loan for the new permanent building would be used in its entirety from 2017 to 2019 to fund all the eligible costs of the new permanent building, that is, the costs of construction and

consultancy services, in the amounts of CHF 37.7 million in 2017, CHF 58.4 million in 2018 and CHF 29.0 million in 2019, for a total loan amount of CHF 125.1 million. As the remaining costs of construction and consultancy services for the new permanent building amount to CHF 129.0 million, the amount of CHF 3.9 million over and above the loan amount of CHF 125.1 million would be covered from Member State appropriation and assessed contributions;

(b) The loan for the renovation part of the project would be used as from 2019 to fund part of the eligible costs for the renovation work on the existing buildings, the related consultancy services and the dismantling of the building E office tower, for a total amount of CHF 274.9 million. As the remaining costs of construction and consultancy services for the renovation of the existing buildings amount to CHF 449.9 million, the amount of CHF 175.0 million over and above the loan amount of CHF 274.9 million would be covered by the assessed or voluntary contributions of Member States or other income through the valorization of land. The yearly use of the loan for the renovation part of the project would depend on the scheme of appropriation and assessment decided upon by the General Assembly;

(c) The assessed contributions received from Member States would be used each year to cover costs not eligible to be covered by the loan, both for the new building and the renovation of the existing buildings, that is, the associated costs, contingencies and project management costs (for a total amount of CHF 184.9 million from 2017 to 2023, assuming that all of the contingency provision is used). In addition, as explained above, assessed contributions would cover the construction and consultancy costs of the new building, which would remain to be funded after the full loan amount of CHF 125.1 million has been used (CHF 3.9 million). Finally, as also explained above, assessed contributions would be used to fund the cost of the construction and consultancy services for the renovation of the existing buildings, which total CHF 175.0 million. The amounts to be funded from Member State contributions would be reduced by any voluntary contributions received towards elements within the scope of the project, as well as other income realized through the valorization of land. To date, CHF 1.9 million in voluntary contributions has been received (see para. 124 below).

1. One-time up-front appropriation and assessment

70. The cost of the project that remains to be financed by Member States from 2017 onward (CHF 360.3 million, excluding repayments of the loans) would be appropriated in its entirety in 2017, along with a one-time up-front assessment for each Member State's related share, based on the regular budget scale of assessment applicable to 2017. This option would increase the cash position at the start of the project and provide for the capacity to respond to any cash flow requirement that may arise.

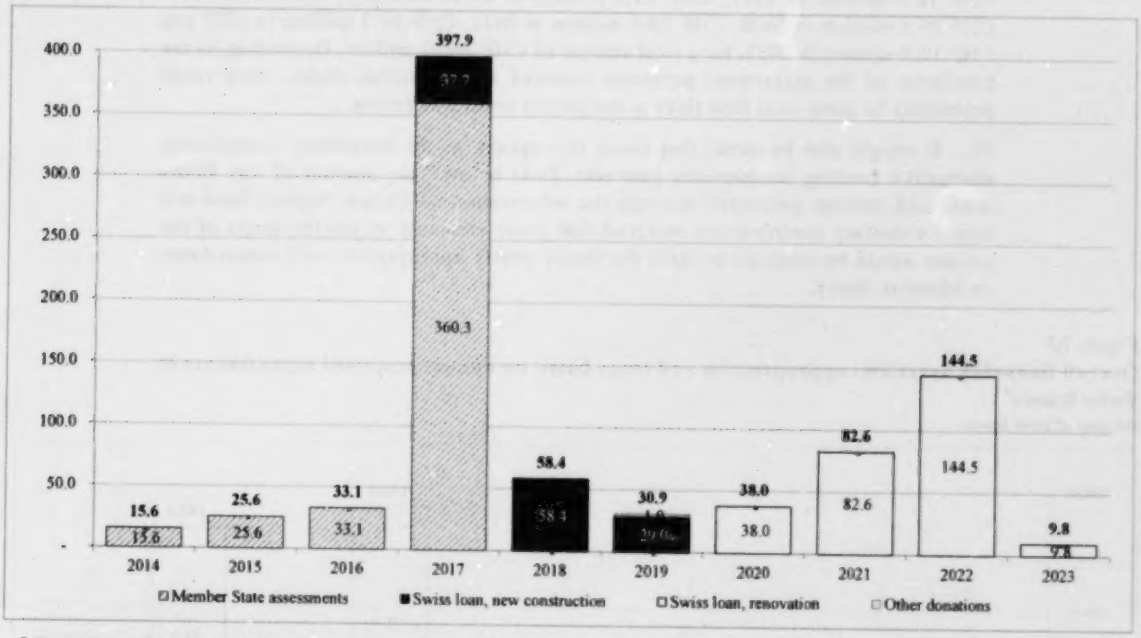
71. The loan for the new permanent building would be used, as indicated in paragraph 69 (a) above, in the amounts of CHF 37.7 million in 2017, CHF 58.4 million in 2018 and CHF 29.0 million in 2019, for a total amount of CHF 125.1 million, and the loan for the renovation part of the project would be used in the amounts of CHF 38.0 million in 2020, CHF 82.6 million in 2021, CHF 144.5 million in 2022 and CHF 9.8 million in 2023, for a total amount of CHF 274.9 million. This option is reflected in figure II below and table A.1 in annex I.

72. It should be noted that under this option, as the Secretariat is exploring alternative funding mechanisms (see sect. IV.G below), the amount equivalent to future confirmed income generated through the valorization of United Nations land and future voluntary contributions received that cover elements currently within the scope of the project would be returned to Member States.

Figure II

Overall financing overview: up-front appropriation in 2017 and annual use of loans in Swiss francs[a]

(Millions of Swiss francs)



[a] Excluding repayments of the loans.

2. Multi-year appropriation and assessment

73. As described in the second annual progress report of the Secretary-General, the phasing of multi-year appropriations and their related annual assessments on Member States could be done: (a) on the basis of the estimated expenditures for each financial period (see table A.2.1 in annex I); or (b) as a variation, on the basis of the average annual projected expenditures of the project. The latter option would result in equal amounts to be appropriated and assessed at annual intervals. The regular scales of assessment applicable to each financial period for which the assessments are made would be used.

Based on the estimated expenditures for each financial period

74. Figure III depicts the overall financing overview based on the estimated expenditures for each financial period (see table A.2.1 in annex I). The use of the loan for the new permanent building would be determined as described in paragraph 69 (a)

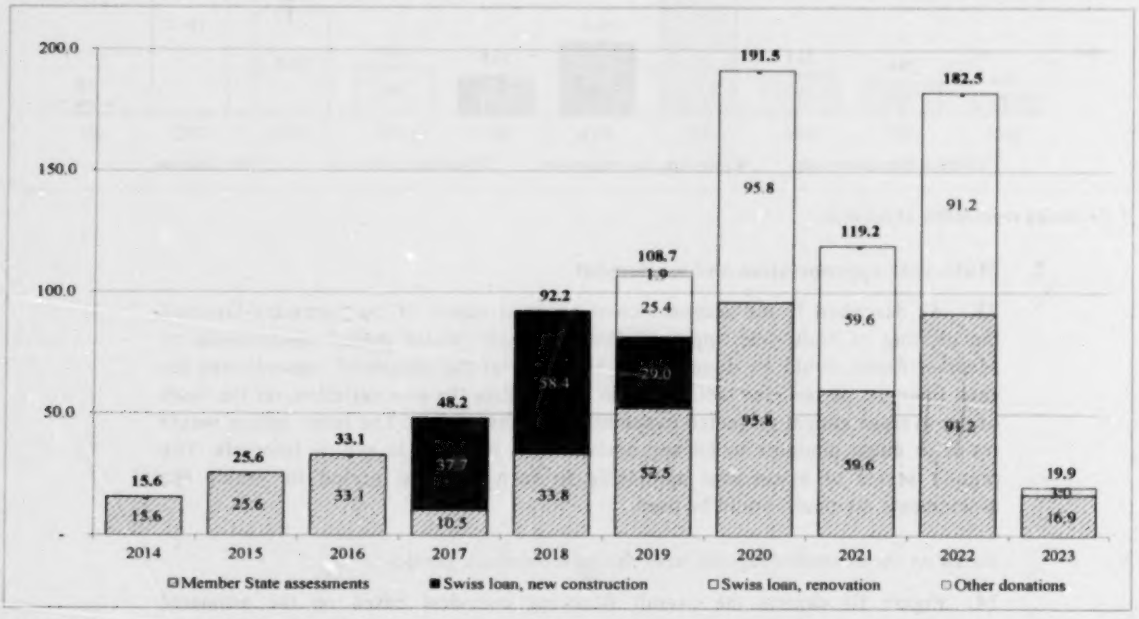
above (CHF 37.7 million in 2017, CHF 58.4 million in 2018 and CHF 29.0 million in 2019). The yearly use of the renovation loan and of the assessed contributions would be determined in such a way that, from 2020 onwards each year, 50 per cent of the total project requirements would be funded from the loan (both the new construction portion and the renovation portion) and 50 per cent from assessed contributions. The loan for the renovation part of the project would thus be used in the amounts of CHF 25.4 million in 2019, CHF 95.8 million in 2020, CHF 59.6 million in 2021, CHF 91.2 million in 2022 and CHF 3.0 million in 2023, for a total amount of CHF 274.9 million. Member States would be assessed in the amounts of CHF 10.5 million in 2017, CHF 33.8 million in 2018, CHF 52.5 million in 2019, CHF 95.8 million in 2020, CHF 59.6 million in 2021, CHF 91.2 million in 2022 and CHF 16.9 million in 2023, for a total amount of CHF 360.3 million. Depending on the timeliness of the assessment payments received from Member States, there could potentially be some cash flow risks to the project under this option.

75. It should also be noted that under this option, as the Secretariat is exploring alternative funding mechanisms (see sect. IV.G below), the amount of any future confirmed income generated through the valorization of United Nations land and future voluntary contributions received that cover elements within the scope of the project would be credited towards the future yearly appropriation and assessments on Member States.

Figure III

Overall financing overview: appropriation and loans based on annual projected expenditures in Swiss francs[a]

(Millions of Swiss francs)



[a] Excluding repayments of the loans.

Based on the average annual projected expenditures of the project

76. Figure IV depicts the overall financing overview, taking into account an equal annual assessment on Member States based on the average of the total resource requirements of the project (see table A.2.2 in annex I) to be financed by Member States.

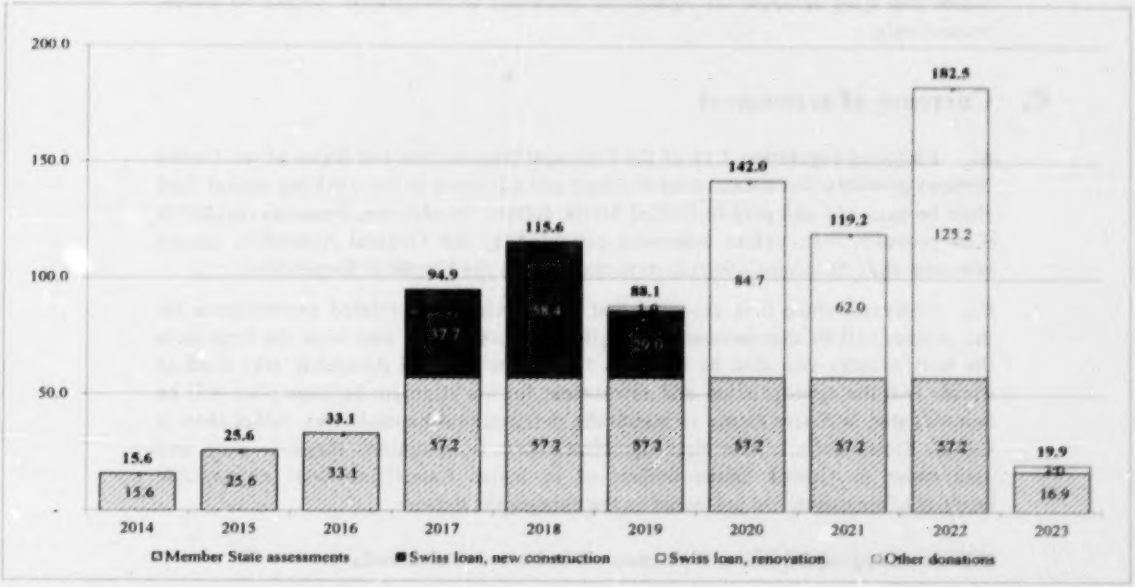
77. Under this option, the cost of the project that remains to be financed by Member States from 2017 to 2022 (2023 is not included, as the projected requirements for that year are lower than the annual average requirements, and, since it will be the final year of the project, it will not be possible to use the remaining balance for any other requirements) would be averaged over the six-year period for an equal amount of CHF 57.2 million to be appropriated and assessed each year. The use of the renovation loan would be adjusted accordingly, for amounts of CHF 84.7 million in 2020 (the renovation loan would not need to be used in 2019), CHF 62.0 million in 2021, CHF 125.2 million in 2022 and CHF 3.0 million in 2023.

78. It should also be noted that under this option, as the Secretariat is exploring alternative funding mechanisms (see sect. IV.G below), the amount of any future confirmed income generated through the valorization of United Nations land and future voluntary contributions received that cover elements within the scope of the project would be credited towards the future yearly appropriation and assessment on Member States.

Figure IV

Overall financing overview: equal annual appropriation and annual use of loans in Swiss francs[a]

(Millions of Swiss francs)



[a] Excluding repayments of the loans.

3. One-time up-front appropriation, with a mix of one-time and multi-year assessments

79. Under this option, the remainder of the cost of the project to be financed by Member States would be appropriated in its entirety at the beginning of 2017, but each Member State would then be able to decide whether its assessment would be in the form of a one-time up-front payment or would be assessed over a multi-year period. For all Member States, the phasing of the multi-year appropriation option could be based on the estimated expenditures for each financial period or on the average annual projected expenditures of the project, as explained in paragraph 73 above. Member States would have to make their selection (up-front or annual payment) upon receipt of the assessment letter in January 2017, which would include the amounts corresponding to the two options. Once a decision is made, it would be irrevocable. As the scale of assessment usually changes every three years, gains and losses might occur as the scale of assessment changes between Member States that select a one-time assessment and those that select a multi-year assessment. Taking this into account, the General Assembly, under this option, would need to decide which scale of assessment to apply for the life of the strategic heritage plan.

80. It should also be noted that under this option, as the Secretariat is exploring alternative funding mechanisms (see sect. IV.G below), the amount equivalent to future income generated through the valorization of United Nations land and future voluntary contributions received that cover elements within the scope of the project would be either returned to those Member States that have selected the one-time up-front payment option or credited against future yearly assessments of those Member States that have selected the option, as described in paragraphs 72 and 78 above, respectively.

C. Currency of assessment

81. Financial regulation 3.10 of the Financial Regulations and Rules of the United Nations provides that annual contributions and advances to the working capital fund shall be assessed and paid in United States dollars. In addition, financial regulation 4.14 provides that, unless otherwise provided by the General Assembly, special accounts shall be administered in accordance with the Financial Regulations.

82. However, since it is expected that the contracts and related expenditures for the project will be denominated primarily in Swiss francs, and since the loan from the host country will also be in Swiss francs, the General Assembly may wish to decide that the appropriation and assessment for the strategic heritage plan will be denominated in Swiss francs to match the predominant expenditures, rather than in United States dollars. The risks associated with both options (appropriation and assessment in United States dollars or in Swiss francs), as well as possible mitigating measures, are presented in the paragraphs below.

Option A: appropriation and assessment in United States dollars

83. Assessments would be issued in United States dollars to Member States in accordance with the scheme of appropriation that the General Assembly would have

decided upon (see sect. IV.B above), and Member States would make contributions in United States dollars into a United States dollar bank account. Since the contracts and related expenditure for the strategic heritage plan would be denominated primarily in Swiss francs, receiving contributions from Member States in United States dollars would expose the Organization to a currency risk vis-à-vis the Swiss franc at the time of appropriation if such appropriation takes place on a yearly basis rather than up front. Therefore, the amounts proposed for appropriation for each financial period would be the equivalent in United States dollars of the Swiss franc funding requirements of the project (either projected yearly expenditure or average yearly expenditure in accordance with paras. 74 and 77 above), converted at the forward exchange rate at the time of appropriation. As reflected in section X, paragraph 23, of resolution 70/248 A, the amount proposed for appropriation for 2016 was the equivalent in United States dollars of the Swiss franc funding requirements of the project, converted at the initial appropriation rate of exchange of 1.014 Swiss francs/United States dollar.

84. In addition, after appropriation, as the expenditure would occur during the year, there would be an additional exchange rate risk during the annual financial period. To mitigate the exchange rate risk after appropriation, and as authorized by the General Assembly in its resolution 67/246, the Secretariat purchased Swiss franc forward contracts at the same rate of 1.014 Swiss francs/United States dollar to cover the funding requirements of the project for 2016. As a result, as of the end of September 2016, the gain realized on these Swiss franc forward purchases attributed to the strategic heritage plan amounted to $818,000, offsetting exchange rate losses of the same amount. The Secretariat intends to continue using this risk-mitigating measure for the duration of the project should the Assembly decide on appropriation and assessment in United States dollars.

Option B: appropriation and assessment in Swiss francs

85. To minimize currency-risk exposure resulting from differing currency denominations between the incoming funds from Member State contributions and the outgoing funds of the project disbursements, Member States may wish to decide that the appropriation and assessment for the strategic heritage plan will be in Swiss francs. Such a decision would minimize the currency-risk exposure as outlined in paragraphs 83 and 84 above. However, amounts assessed and contributed in Swiss francs, to the extent that resulting balances would exceed certain thresholds, might be subject to any negative interest rates, as explained in section IV.D below.

86. Under this option, the General Assembly would decide on appropriations in Swiss francs and assessments to be issued in Swiss francs, and Member States would make contributions in Swiss francs into a Swiss franc bank account. However, it should be noted that to date, the current processes and systems in use within the Organization for the issuance of assessment and for the related accounting and reporting on the status of contributions have been based on the currency stipulated in financial regulation 3.10 of the Financial Regulations and Rules of the United Nations and, consequently, have not been adapted to address contributions assessed and received in currencies other than the United States dollar. Should assessment be made in Swiss francs, ad hoc arrangements (such as a

separate spreadsheet or database solution) would have to be established for the issuance and reporting on such assessment.

D. Negative interest rates

87. Further to the second annual progress report of the Secretary-General, discussions have taken place between the United Nations Office at Geneva and the Swiss-based banking partners of the United Nations, during which it was indicated that the risks related to negative interest rates might be mitigated through cash flow management and negotiation of the threshold level. Such a measure would mitigate the risk of negative interest rates, in particular under the option of yearly appropriation and assessment, whether based on estimated annual expenditures or on equal appropriation and assessment. In terms of loan payments, the funds would be disbursed in several varying instalments throughout each year to match the specific cash flow requirements of the project, thus mitigating the risk of negative interest.

E. Multi-year special account

88. In his second annual progress report, the Secretary-General proposed that the accounting of the project be undertaken through a multi-year special account, funded through appropriation and assessments separate from the regular budget. It was explained in paragraphs 109 and 110 of the report that the establishment of a special account would permit the segregation of the cost pertaining to the strategic heritage plan from the programme budget of the Secretariat.

89. Other benefits of establishing a multi-year account were also explained in the report, in particular the fact that it would provide the project owner and programme managers with the flexibility to manage resources over a long-term horizon in line with the scheduled needs of the project, as opposed to being constrained by the fiscal timing of the regular programme budget cycle, and would avoid the procedural and administrative duplication whereby uncommitted balances are returned to Member States at the end of a biennium only to be requested once more for the following biennium as part of the subsequent proposed programme budget. Those benefits also apply to the multi-year construction-in-progress account under the programme budget of the United Nations that the General Assembly approved in resolution 70/248 A for the expenditure of the strategic heritage plan for 2014-2016. However, such an account extended until the end of the project would still not be able to accommodate appropriations and assessments in Swiss francs and, therefore, should the Assembly decide on appropriations and assessments in Swiss francs, the establishment of a multi-year special account separate from the regular budget would be required.

90. It should be noted that, in order to avoid keeping the multi-year special account open for an extended period of time, the yearly repayments of the loans would be funded under the special account for the duration of the project until 2023, but would thereafter be included in the programme budget for the relevant periods. The multi-year special account would be closed after the financial and

administrative close-out of the project, assuming that assessment would have been paid in full by all Member States.

F. Cash-flow risk

91. In his second annual progress report, the Secretary-General proposed that a working capital reserve of $20 million, financed through a separate advance assessment on Member States, be established for the purpose of covering temporary cash flow deficits and facilitating advance procurement or accelerated construction activity. The General Assembly, in resolution 70/248 A, endorsed the recommendation of the Advisory Committee on Administrative and Budgetary Questions against the approval of the proposed working capital reserve.

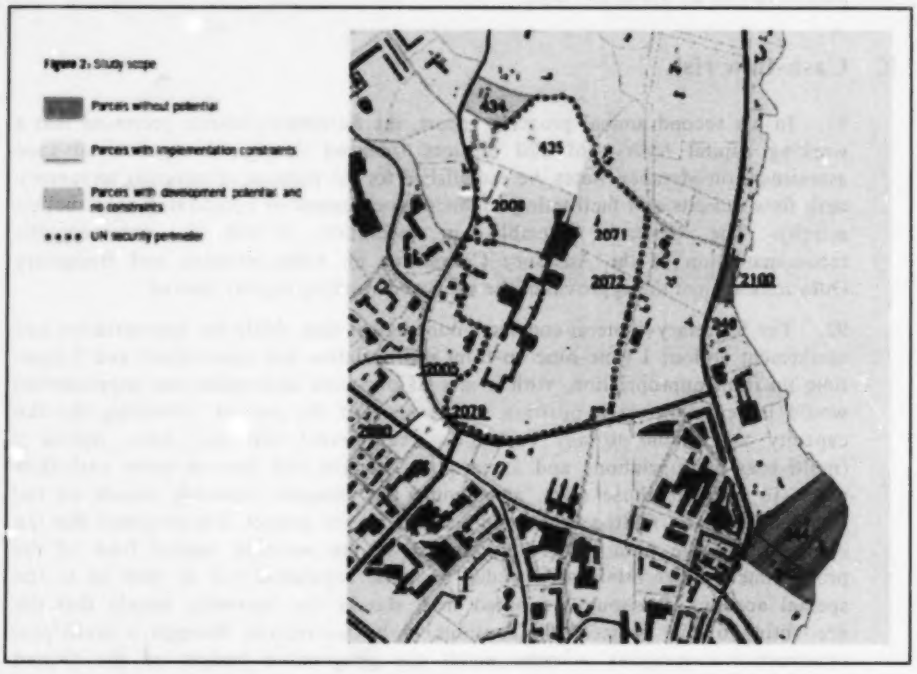
92. The Secretary-General considers nonetheless that, while the appropriation and assessment options 1 (one-time up-front appropriation and assessment) and 3 (one-time up-front appropriation, with a mix of one-time and multi-year assessments) would increase the cash position at the start of the project, providing for the capacity to respond to any cash flow requirement that may arise, option 2 (multi-year appropriations and assessments) would still present some cash-flow risks. To mitigate those risks, and should the General Assembly decide on the establishment of a multi-year special account for the project, it is proposed that the strategic heritage plan be granted access to the working capital fund of the programme budget established under financial regulation 4.2 as well as to the special account. It should be noted that, should the Assembly decide that the accounting of the project will continue to be undertaken through a multi-year construction-in-progress account under the programme budget of the United Nations, as approved in its resolution 70/248 A for the expenditure of the strategic heritage plan for 2014-2016, access to the working capital fund and the special account would be de facto granted under financial regulation 4.2.

G. Update on alternative funding opportunities

1. Valorization of United Nations-owned land

93. Pursuant to resolution 70/248 A, the Secretary-General has continued to pursue opportunities to valorize land and other assets owned by the Organization in Geneva, with the goal of reducing the overall assessment on Member States for the strategic heritage plan. The United Nations currently owns and/or operates 12 parcels of land in Geneva, totalling approximately 531,667 square metres in area, the terms of ownership and use of which were determined by the 1946 Agreement concerning the Ariana Site and subsequent agreements between the United Nations and the host country. An overview of the parcels and their valorization potential is highlighted in figure V.

Figure V
Overview of parcels of land owned and/or operated by the United Nations Office at Geneva



94. Given that the majority of the United Nations-owned plots are situated within the United Nations security perimeter, currently in use by the Organization and/or subject to complex leasehold structures or legal treaties and easements, the majority of the land portfolio (in terms of size/area) of the United Nations is not immediately amenable to sale or to further development by third parties.

Parcels with no realizable valorization potential

95. Parcels 5220 (Parc Ariana), 243 (Parc Moynier) and 244 (Parc Perle du Lac) are subject to the Agreement concerning the Ariana Site and therefore have no realizable valorization potential and have been excluded from further analysis owing to legal constraints and/or their location. While the United Nations owns the land in parcels 243 and 244, it does not own the buildings or the rights of development or use of the land; these are owned by the City of Geneva. The arrangement for parcel 5220, on which the Palais des Nations stands, is the reverse: the City of Geneva owns the land and the United Nations owns and operates the buildings and grounds. All three plots, with a combined area of approximately 314,307 square metres, have numerous development restrictions, including the preservation of their use as parklands, and hence have no realizable commercial value.

96. Parcel 2100 (United Nations beach) has an area of approximately 4,428 square metres. It has been analysed in detail and has been found to have limited

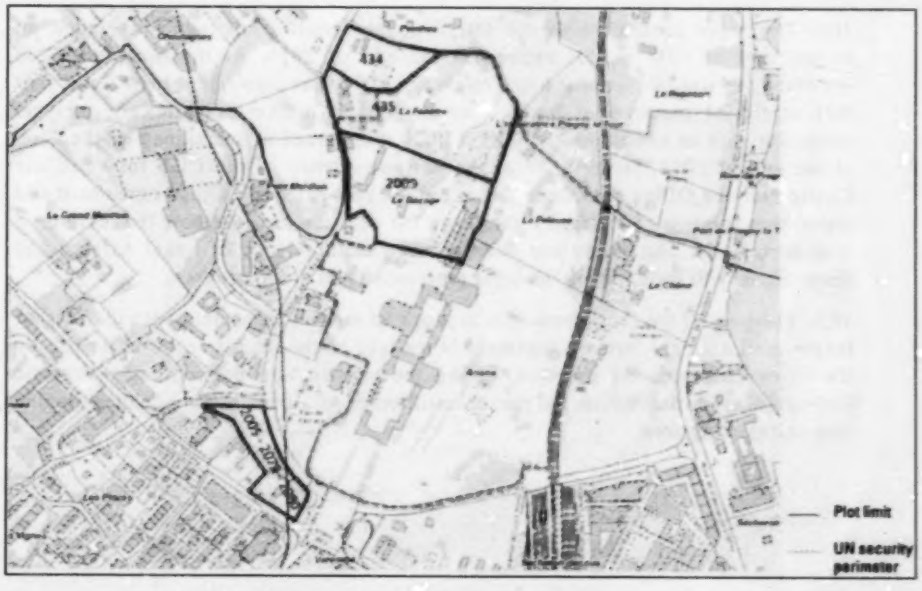
commercial potential. The parcel is located in the "green zone", which is preserved for recreation use only and in which construction is prohibited unless it serves the public interest. This limited development potential is reduced still further owing to its proximity to both the protected lakeshore area and its adjacency to a primary road, which results in overlapping restrictions that leave no area remaining for a permissible construction project. Therefore, the plot cannot be developed any further.

Parcels with realizable valorization potential

97. During the reporting period, the Secretary-General, having reviewed all of the parcels and identified viable land plots with potential to generate additional funding, commissioned through a competitive tender a comprehensive independent valorization study that was undertaken by one of Switzerland's leading real estate market companies. The study considered all the plots that had been identified as possible opportunities to generate income as creatively as possible. In addition, estimates of the market value of the plots were provided. It was found that a total valorization potential within the United Nations land bank from an open market sale point of view was limited to the potential sale of up to 105,798 square metres of land, or approximately 20 per cent of the total United Nations land bank.

98. The areas of land with the most realizable valorization potential are: part of plot 2009, totalling approximately 11,600 square metres (United Nations Training Centre, Le Bocage); parcels 2005, 2079 and 2080, totalling approximately 17,421 square metres (Feuillantines); parcel 434, totalling approximately 17,698 square metres (International Tennis Club and Foundation of the International School of Geneva); and parts of parcel 435, totalling approximately 59,079 square metres (Foundation of the International School of Geneva and Villa La Fenêtre). Those plots are shown in figure VI.

Figure VI
Plots with realizable valorization potential



99. With respect to the general approach to the valorization of land rights, the Secretary-General has reservations regarding the outright sale of parcels of land owned by the United Nations, given that that would deprive the Organization of potential long-term benefits of ownership, for example, through the leasing of land and the valorization of development rights and the further possibility of utilizing the land for its own purposes in the future. The Secretary-General is therefore more inclined towards long-term leasing arrangements, in particular because some plots may then be subdivided further in the future and benefits could possibly even be increased.

100. At its meeting held in August 2016, the Advisory Board shared its view that, in the context of the valorization of land of the United Nations Office at Geneva, an approach comprising long-term leasing with development rights would be the most preferable course of action.

101. The leasehold fees/values would vary depending on the term of the negotiated leasehold contracts, including the possibility of opting for annual lease fee payments, which typically would be calculated as a percentage of the freehold value of the parcel, and a further possibility that some or all of the fees could be paid up front so as to maximize the potential of applying income directly towards the costs of the strategic heritage plan.

102. The valorization potential could best be realized in the medium term, that is, over the next 5 to 10 years. A summary description of the potential of the identified plots and the recommended next steps are explained below.

Parcel 434 — currently leased in part by the International Tennis Club

103. Parcel 434 has an area of approximately 17,690 square metres. The largest part of the parcel, representing an area of approximately 13,900 square metres, is currently being leased to the International Tennis Club. The buildings and grounds were built and are maintained by the Club. An area of 3,790 square metres, also within parcel 434, is leased to the Foundation of the International School of Geneva.

104. The lease contract with the International Tennis Club, which included an annual rent of CHF 6,335, expired at the end of 2015. At the time, the Club informed the United Nations that it could not afford the significant increase in rent that would be required to bring it up to its full market potential. A one-year extension with an annual rent of CHF 15,000 was agreed to and signed by the Club at the end of 2015. In early 2016, the new presidency of the Club informed the United Nations Office at Geneva that it did not recognize the signed agreement and stated that it intended to legally challenge the decision not to renew the lease on a long-term basis. The matter has been referred to the Office of Legal Affairs, and discussions with the Club and its legal representatives are in progress.

105. The goal of the Organization is to reach an interim agreement with the present tenant until a longer-term arrangement is realized or the land is required for use by the United Nations, for example, during the construction period of the strategic heritage plan, during which the parcel could serve as a construction-related staging area and parking area.

106. The parcel itself is zoned for high-density residential development by international organizations and, if combined with part of parcel 435, has the highest long-term valorization potential, whereby an area of approximately 18,226 square metres could potentially be developed for a long-term lease with development rights. However, it is projected that it would take at least three to five years of additional work by a dedicated team to realize that valorization potential. To date, preliminary interest in the area has been expressed informally by several parties.

Part of parcel 435 — Villa La Fenêtre and its annexes

107. The complete parcel 435 has a total surface of 68,660 square metres and is located within the current United Nations security perimeter. It includes a historic villa that was utilized until 2014 as the residence of the Director-General of the United Nations Office at Geneva. Following consultations with the Executive Office of the Secretary-General, and taking into account the General Assembly's request to pursue valorization opportunities, the Director-General decided to utilize the unused villa as office space and a rental agreement was signed with a voluntarily funded entity, which has resulted in previously unrealized annual rental income of $93,804. The perpetuation of this type of use on a long-term basis as a further viable source of income for the Organization is envisaged.

Part of parcel 435 — currently leased in part by the Foundation of the International School of Geneva

108. An area of 11,572 square metres is also currently being leased to the Foundation of the International School of Geneva. This area is spread across two parcels of land: 7,782 square metres in parcel 435 and 3,790 square metres in parcel 434. The buildings and amenities were constructed and financed by the leaseholder, and the primary school building, dating back to the 1960s, has some historical value. The United Nations executed a new rental agreement with the Foundation in 2015, increasing the rental yield significantly from the previous below-market annual rate of CHF 5,000 to CHF 75,000 for two years, with the possibility of two one-year extensions at the annual rate of CHF 100,000.

109. Ensuring full conformity with the applicable regulatory framework of the Secretariat, the United Nations intends to commence discussions with the school with regard to potentially offering a long-term lease with building rights, in an effort to seek maximum valorization potential for the Organization without the need to evict the international primary school from the site. It should also be noted that the Foundation has previously indicated a willingness to purchase the land.

110. Following the detailed independent study, some of this plot could potentially be valorized still further by redefining the legal boundaries of these two plots and annexing some of the land to the adjacent plot 434; in addition, it may be possible to separate the historic villa and a portion of the land surrounding it with a view to possible long-term leasing of the land for commercial or residential purposes; however, that would require extensive adaptation of the United Nations security perimeter and would restrict any potential future expansion or consolidation on the campus of the United Nations Office at Geneva in the medium to long term.

Parcel 2009 — United Nations training centre and protected barns

111. The complete parcel 2009 has a total surface area of 55,598 square metres, of which approximately 11,600 square metres, on the portion of the plot bordering the main road, has development potential. However, to realize that potential, the existing United Nations training centre, which has a gross floor area of approximately 3,000 square metres spread among three buildings and is intensively used by the Organization, would have to be at least partially demolished. The training centre was originally constructed as temporary buildings in the 1960s and would need renovation or replacement. The cost of this work is estimated by the consultant undertaking the independent valorization study to be in the range of CHF 14 million. It does not form part of the scope of the strategic heritage plan; however, it could potentially be financed and carried out through the valorization of this plot of land. Although the historic main building and nearby barns are likely to remain for heritage reasons, the two annex buildings could be demolished and reconstructed in a more space-efficient way on an area of approximately 5,600 square metres in order to free up a plot of approximately 6,000 square metres, both of which could potentially be developed by a third party.

Parcels 2005, 2079 and 2080 — Villa and Parc des Feuillantines

112. At present, the valorization opportunity that appears possible to realize most expeditiously lies within parcels 2005/2080 (Parc des Feuillantines) and parcel 2079 (Villa Feuillantines). Those parcels, with a combined area of approximately 17,421 square metres, are outside the grounds of the Palais des Nations and include a small historic villa and a protected forest. While this area is not located within the United Nations security perimeter, it currently houses some security staff and the Office of the Ombudsman. In addition, the United Nations women's guild uses rooms in the villa for its activities. Plans call for all of these activities and personnel to be relocated on the main campus as part of the strategic heritage plan project.

113. In 2015, the United Nations received an unsolicited offer from the *Fondation pour la Cité de la Musique de Genève* for the outright purchase of these three parcels of land for the development of a major cultural building. The building would house a 1,600-seat concert hall that would become the home of the Suisse Romande Symphony Orchestra and a music school for approximately 515 students. The offer was supported by the Canton of Geneva, which has offered adjacent plots of land to the Foundation free of charge should the negotiations with the United Nations prove successful.

114. Given the reservations of the Secretary-General regarding an outright sale of United Nations-owned land, the United Nations undertook further discussions to determine whether the Foundation would be interested in a long-term lease with development rights for the same purpose as that set out in its unsolicited offer. The Foundation confirmed its interest, and discussions aimed at arriving at a clear offer will be pursued in full conformity with the applicable regulatory framework of the Secretariat.

115. The independent valorization study has shown that the combination of the plots of land of the Canton of Geneva, offered free of charge owing to the considerable public benefit of the Foundation's proposed development to the

Canton, considerably increases the value of the site to the City of Geneva, to above the estimated level of what could be expected to be realized on the open market.

Next steps

116. In conclusion, it is deemed realistic to expect that the existing real estate portfolio could yield additional income for the Organization through the long-term leasing of land should investment be made by the Organization in additional up-front development activities. If so, such income could be realized during the next 5 to 10 years and could, if approved by the General Assembly, be used to reduce appropriation and assessed contributions from Member States to fund the strategic heritage plan project.

117. With respect to developing plans to move forward in this regard, it is important to note that the planning and implementation of the possible valorization strategies set out above do not lie within either the core mission or the competency of the United Nations, and there are no precedents for such real estate transactions within the Secretariat. It should also be taken into account that ample time is required to ensure that all options conform to the Financial Regulations and Rules of the United Nations, including the procurement rules. Furthermore, some options could entail the preparation of proposals to submit to the Canton of Geneva to ensure that the United Nations and/or the potential future tenants conform to the land zoning and related planning regulations and rules, which would be a time-consuming activity.

118. Because the successful realization of any of the aforementioned valorization strategies would not only require access to relevant subject matter expertise, but also, and more important, would entail the significant investment of time and development costs by the Organization, the Secretary-General proposes the establishment of a dedicated valorization team to develop plans for and coordinate the implementation of feasible valorization projects. The team would be led by a Project Coordinator (P-4), who would be supported by an Administrative Assistant (General Service (Other level)). Specialist consultants, including a real estate advisory firm, an architectural design and planning services firm and a legal services firm, would provide expert support to the team. A summary of the responsibilities of each is as follows:

(a) The Project Coordinator (P-4), who would have a professional real estate background, would have overall responsibility for the activities and deliverables of the team. The incumbent would manage and coordinate all day-to-day project activities and would serve as the primary liaison between the United Nations and external agencies and authorities, including the local planning department and other legal interlocutors involved in the development process. The incumbent would also direct the efforts of the third-party consultants and coordinate with relevant United Nations Office at Geneva and Headquarters departments and other stakeholders, in particular the strategic heritage plan project team and key staff of the Office of Central Support Services. In addition, he or she would be responsible for monitoring project risks and ongoing market development and other factors affecting the study;

(b) The Administrative Assistant (General Service (Other level)) would provide administrative support to the Project Coordinator, including by preparing presentations to be made to external and internal stakeholders;

(c) The real estate advisory services firm would provide detailed assessments of the potential of various development options, including financial and cost/benefit analyses; provide advice on applicable host country regulations and real estate market practices; and assist the United Nations in interactions with host country authorities and potential lessees;

(d) The architectural design and planning services firm would provide the United Nations with architectural design proposals for the various development options, for use in obtaining planning permissions and negotiating with potential lessees; it would also be required to maintain liaison with local planning and other authorities on behalf of the United Nations, including by making presentations and relevant submissions;

(e) The legal services firm would advise the United Nations on zoning and permit issues, including changes to zoning districts, amendments to zoning resolutions and any permit or other related approval matters; environmental matters related to development; the preparation, review and negotiation of lease agreements; and other matters.

119. The services of the valorization team would be required for an initial period of three years starting on 1 January 2017, owing to the estimated amount of time required to complete the first important steps to increase valorization potential: obtaining planning permissions and obtaining approval for alterations to legal boundaries. It is proposed that the team would be financed initially from the rental income of the United Nations Office at Geneva (currently $1.2 million per year) and subsequently from income generated by the valorization of land. The estimated annual costs of the dedicated team during the first three years of the project are shown in table 4.

Table 4
Annual cost estimate for dedicated valorization project team
(United States dollars)

Position/specialized service	*Estimated annual cost*
Project Coordinator (P-4)	208 800
Administrative Assistant (General Service (Other level))	127 300
Real estate advisory services firm	101 800
Architectural design and planning services firm	76 400
Legal services firm	127 300
Total	**641 600**

2. Donations

Donation policy

120. In section X, paragraph 25, of resolution 70/248 A, the General Assembly approved the donation policy with respect to the strategic heritage plan.

121. The policy provides a framework for the acceptance of voluntary contributions to the strategic heritage plan in line with current United Nations rules and regulations. It covers any voluntary contribution to the United Nations Office at Geneva that will assist in some way in achieving the overall objectives of the project, offsetting costs and/or otherwise enhancing the infrastructure of the Palais des Nations beyond the scope of the plan. Examples of work that could offset costs include the renovation or construction of conference rooms.

122. Other donations, while offered in the context of the strategic heritage plan, may consist of elements that are not within the scope of the plan and therefore would not offset its overall costs; for example, the additional buildings on the campus of the United Nations Office at Geneva, such as the villas; the preservation of certain heritage elements; the creation of recreational facilities; landscaping; and certain security installations. A donation would be accepted only pursuant to a formal agreement in the form of a memorandum of understanding concluded between the donor and the Office.

Voluntary contributions from Member States

Donations related to the objectives of the strategic heritage plan project

123. The United Nations Office at Geneva continues to be proactive in seeking donors to finance renovation work at the Palais des Nations.

124. A memorandum of understanding for the renovation of Room C6 (formerly the Cinema Room) to return it to use as a multipurpose conference room was signed with China during the last quarter of 2015, and a financial contribution of $3 million for that purpose has been received in advance. The renovation work will be carried out under the relevant contract in accordance with the strategic heritage plan renovation programme, and its detailed design stage is due to be completed in 2017. The renovation, which is currently scheduled to be completed at the end of 2019, has the estimated potential, subject to the approval of the General Assembly, to offset Member State contributions to the strategic heritage plan in the amount of CHF 1.9 million, which is the amount originally allowed for in the strategic heritage plan budget for the work. The remaining amount of the donation will offset the additional design and programme management costs and will be used for donor-related artworks and customizations that exceed the scope of the plan.

125. A donation of €20,000 has also been received from Monaco, together with the request that it be used for the enhancement of the energy efficiency targets of the strategic heritage plan project objectives. The donation has therefore been allocated to covering the cost of renewable energy by means of photovoltaic panels associated with the new office building and will further assist the project in meeting Leadership in Energy and Environmental Design (LEED) Gold, the most widely recognized environmental sustainability standard for international buildings.

126. As reported in the second annual progress report of the Secretary-General, a design for the renovation of Conference Room XIX has been developed by Qatar, but a memorandum of agreement for the corresponding donation has yet to be concluded.

127. The aforementioned donation projects have been coordinated with the detailed, technical and tender designs of the strategic heritage plan as they have moved forward. It should be noted that the scope of the projects typically goes well beyond the objectives of the plan. The scope of the plan with regard to conference rooms, for example, typically includes upgrading audiovisual and broadcast systems, making accessibility modifications and upgrading heating, ventilation, electrical, fire and air conditioning systems. The donation projects include much more extensive work related to internal finishes, architecture, fixtures and furniture that goes well beyond the scope of the strategic heritage plan.

Further donations to the United Nations Office at Geneva not included within the scope of the strategic heritage plan

128. In the broader context of seeking donors to finance other work at the United Nations Office at Geneva, additional possible donation projects have been identified for specific elements beyond the scope of the strategic heritage plan project, including the upgrading and repurposing of a number of the villas and other historical features on the grounds of the Palais des Nations, the digitization of archives and historical documents, wider sustainability initiatives and contributions aimed at the establishment of a maintenance fund for the future care of the premises.

129. At the beginning of 2016, the complete renovation of Conference Room XVII, which has a capacity of 675 seats, was completed by the United Arab Emirates and the fully refurbished, modernized and technologically equipped conference room was returned to full operational use.

130. Renovation work on the Russian Room, adjacent to the original Council Chamber, was also completed, having been funded by the Russian Federation during the latter part of 2015.

Continuing initiatives to secure further donations from Member States and private donors

131. The Director-General of the United Nations Office at Geneva, in his role as project owner, continues to solicit voluntary contributions from Member States and other potential donors to fund specific renovation and construction projects both within the scope of the strategic heritage plan and with regard to United Nations Office at Geneva operations and premises as a whole. In that context, thematic encounters took place with several potential private donors. Discussions regarding possible donations continue to take place with Member States, and to date several Member States have directly expressed their potential interest and sought further details. A compendium of possible donation projects and opportunities has been created and distributed to all Member State missions in Geneva; it is available to any other interested parties upon request. In addition, the Director-General actively solicits contributions from all Member States and seeks to encourage regional groups of States to make joint donations.

3. Possible further alternative funding mechanisms

Potential energy-related subsidies and incentives

132. Various energy-related subsidies and incentives may be available to the United Nations Office at Geneva from local and national governments to offset the costs of installing sustainable technologies, including a proposal to extend the Lake Geneva water system to the site to allow for both heating and cooling. These options are currently being explored by the Buildings and Engineering Section, working together with the strategic heritage plan team. While none appears to provide the means to reduce the overall costs of the strategic heritage plan, peripheral benefits may be available, in particular reductions in long-term energy and operating costs and a reduction in the carbon footprint of the Palais des Nations beyond the scope of the project. The Office will continue to explore these options further.

Utilization of rental income

133. Income is generated from the rental of premises, which is currently recognized as miscellaneous income under income section 2 of the programme budget and returned to Member States. At present, approximately $1.2 million is generated each year from the rental of premises to United Nations organizations and related commercial entities. As explained in paragraph 119 above, it is proposed that part of this rental income be used to initially fund the resource requirements of the proposed valorization team.

134. It should be noted that additional rental income should also become available with the relocation of 700 staff of OHCHR to the Palais des Nations at the end of the strategic heritage plan project, for those staff whose positions are funded from extrabudgetary sources.

V. Other considerations

A. Contracting strategy

135. The second annual progress report of the Secretary-General sets out a two-pronged contracting strategy for the project, comprising a single construction phase for the new permanent building and a single renovation phase for the existing buildings.

136. Accordingly, the first major construction contract to be awarded for the strategic heritage plan is a lump sum contract for the construction of the new permanent building.

137. In order to save time and mitigate the risk of delays, and owing to the large quantity of earth that must be removed from the site of the new building for the regrading and relandscaping of the Palais des Nations grounds, an enabling work package consisting of excavation, temporary fencing and other elements was issued for tender in advance of the main construction contract, to permit the commencement of the construction work in early 2017.

138. The delivery method under the contract for the construction of the new building will continue to follow the traditional design-bid-build approach, in which

all design elements will be fully completed prior to the issuance of a construction tender and, subsequently, a contract. This approach is appropriate for the new building because: (a) it will allow the strategic heritage plan team to remain in full control of the design throughout the process; (b) it defines clear lines of team responsibility between the designer and the contractor; and (c) it relates to new construction on a previously undeveloped site, and thus the risk of unforeseen field conditions is limited. Accordingly, it is expected that this approach will provide for a greater level of price certainty at contract award compared with other possible methods.

139. The envisaged second major construction contract to be awarded will also be a lump sum contract for the combined completion of the technical and engineering design and the renovation work on the existing buildings, which is planned to begin on-site in the middle of 2018.

140. In order to expedite the overall schedule and prevent the large number of change orders often associated with renovation work, which increase the level of risk posed to the project, it is currently envisaged that the delivery method for this part of the project will follow an engineer-and-construct approach. Such an approach is based on earlier engagement of the construction contractor compared with the traditional design-bid-build approach, to allow for the completion of key technical elements of the final engineering design by the contractor prior to the commencement of construction work. This is considered more appropriate for the renovation phase, as it offers the best balance between the early contractor involvement required for the detailed planning and logistics of the complex sequencing of the work, the measurement of quantities of items that require detailed knowledge of the complex and are not accessible until the work commences, and continued owner control with respect to change orders.

141. The engineer-and-construct approach for the renovation work has the additional advantage that the final engineering design and construction risk lies with a single contractor. As planned by the strategic heritage plan team, the detailed design documents will be at an advanced stage in order to minimize any uncertainty regarding the requirements. As a lesson learned from the capital master plan, this approach is intended to minimize the extent and number of construction change orders relating to design, by assigning singular responsibility to the contractor for verifying and completing the final engineering design and measuring field conditions.

142. There will be a prequalification stage for the two major tenders to ensure that only the most qualified, technically competent and financially viable bidders with solid track records in terms of completing projects in a timely manner and on budget will be invited to tender. That will help to ensure that the strategic heritage plan both meets the ambitious timelines set out in the project schedule and reduces the risk of selecting a contractor that does not meet the minimum qualification requirements.

B. Security considerations

143. Given that one of the key objectives of the project, as set out in the first annual progress report of the Secretary-General (A/68/372), is to ensure the life safety of delegates, staff and visitors to the premises of the United Nations Office at Geneva,

the project team has coordinated security requirements for the project with relevant stakeholders, including the Security and Safety Section of the Office and the Department of Safety and Security at Headquarters, as well as host country authorities, throughout the project.

144. Included within the scope of the strategic heritage plan are provisions for pedestrian access control and security cameras in both the new permanent building and the renovated Palais des Nations, and the relocation and modernization of the existing security command centre. In addition, the design of the new building includes laminated glass capable of resisting blast forces, as well as an overall structural design that protects against blast forces.

145. It should be noted, however, that the security threat level in the host country was upgraded in July 2016 owing to the rapidly evolving security situation in Europe. That has placed an unforeseen burden on security operations at the United Nations Office at Geneva and, indirectly, on the strategic heritage plan project. Following a security gap analysis, the primary change made as a response to the increased threat level relates to the overall security of the site perimeter, including site access control, vehicular screening and parking, none of which are within the approved scope of the plan. Accordingly, the Office, in close liaison with the Department of Safety and Security, is actively engaged in developing a security master plan for the compound. Member States will be informed about the outcome of this exercise in due course.

C. Works of art, masterpieces and other gifts

146. In section III, paragraph 18, of resolution 69/262, the General Assembly requested the Secretary-General to ensure that works of art, masterpieces and other gifts were handled appropriately during the design and renovation stages of the strategic heritage plan, and also requested him to cooperate with those Member States that wished to take care of their gifts of works of art, masterpieces and other items. The provisions of that paragraph were reiterated by the Assembly in section X, paragraph 29, of resolution 70/248 A.

147. Accordingly, the strategic heritage plan has engaged an art expert who, during the detailed design phase of the renovation work, will develop a comprehensive inventory of the items that may be affected by the renovation. Each item will be classified and protected (and/or moved, where possible) during the renovation work to prevent damage. An assessment will also be made to establish the need for conservation by means of special treatment. All Member States that donated gifts will be consulted regarding the proposed handling of the respective gifts. Relevant provisions to ensure that the art, masterpieces and other gifts are safeguarded during the renovation will be duly included in all construction and renovation contracts. Once the renovation and construction work has been completed, appropriate reinstallation and relocation of the items will be carried out. This will also be done in full consultation and cooperation with the donating Member States wherever possible.

VI. Next steps

148. The project envisages that the following significant project design and construction activities will be carried out over the next two years:

(a) Completion of the technical design, together with the preparation of the necessary tender documentation, for the new permanent building in 2016;

(b) Continuation of the activities necessary to appoint an enabling work and construction contractor for the new permanent building to ensure that construction work commences in 2017;

(c) Completion of the detailed design and tender documentation for the renovation work on the existing buildings in 2017, using the design documentation developed in the concept design as the basis for the work;

(d) Initiation of activities necessary to appoint a construction contractor for the renovation of the existing buildings, to ensure that renovation work commences in 2018.

VII. Recommended actions to be taken by the General Assembly

149. **The General Assembly is requested to:**

(a) Take note of the present report and the progress made since the issuance of the second annual progress report of the Secretary-General (A/70/394 and Corr.1);

(b) Decide on the scheme and currency of appropriation and related assessment for the strategic heritage plan;

(c) Approve the establishment of a multi-year special account for the project;

(d) Approve the establishment of one new position of Procurement Officer (P-4), effective 1 January 2017;

(e) Should the Assembly decide on a multi-year scheme of appropriation and assessment, authorize the strategic heritage plan to access the working capital fund established under financial regulation 4.2 and the special account, depending on the scheme of appropriation and assessment decided upon by the Assembly under subparagraph (b) above;

(f) Approve the establishment of a valorization team comprising a Project Coordinator (P-4) and an Administrative Assistant (General Service (Other level)), to be supported by appropriate specialized services, effective 1 January 2017; and authorize the use of the rental income of the United Nations Office at Geneva, up to the amount of $641,600 per year, to fund the related financial requirements of the team;

(g) Approve the use of future confirmed income generated through the valorization of United Nations-owned land in Geneva to fund the strategic heritage plan, and reduce accordingly proposals for appropriation and assessments on Member States for the project, as explained in paragraphs 72, 75, 78 and 80 above.

Annex I

Financing schemes

Table A.1
Overall financing overview: up-front appropriation and loans in Swiss francs
(Millions of Swiss francs)

	Strategic heritage plan project period (2014-2023)											*Loan repayment period (2024-2068) to be appropriated under the United Nations regular budget*			*Overall cost to Member States*
	2014	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*Total*	*2024-2052*	*2053-2068*	*Total*	
A. Appropriation, coupled with a long-term loan arrangement															
Member State appropriation	15.6	25.6	33.1	360.3	–	–	–	–	–	–	434.6				434.6
Swiss loan new construction 0.0%	–	–	–	37.7	58.4	29.0	–	–	–	–	125.1				
Swiss loan renovation 0.0%	–	–	–	–	–	–	38.0	82.6	144.5	9.8	274.9				
Other donations[a]	–	–	–	–	–	1.9	–	–	–	–	1.9				
Expected inter-annual carry-over[b]	–	–	(1.7)	1.7	–	–	–	–	–	–	–				
Total financing sources	**15.6**	**25.6**	**31.4**	**399.7**	**58.4**	**30.9**	**38.0**	**82.6**	**144.5**	**9.8**	**836.5**				
Member State appropriation for repayment of loans															
Swiss loan new construction 0.0%						2.5	2.5	2.5	2.5	2.5	12.5	72.5	40.0	112.6	125.1
Swiss loan renovation 0.0%										9.2	9.2	265.8		265.8	274.9
Subtotal appropriation loan repayment	–	–	–	–	–	**2.5**	**2.5**	**2.5**	**2.5**	**11.7**	**21.7**	**338.3**	**40.0**	**378.3**	**400.0**
Total Member State appropriation	**15.6**	**25.6**	**33.1**	**360.3**	–	**2.5**	**2.5**	**2.5**	**2.5**	**11.7**	**456.3**	**338.3**	**40.0**	**378.3**	**834.6**
B. Full financing through appropriation on Member States without long-term loan arrangement															
Member State appropriation	15.6	25.6	33.1	760.3	–	–	–	–	–	–	834.6				

[a] The amount specified refers to a financial contribution from China.
[b] The specified amount refers to an expected 2016 year-end balance from the approved funding for 2014-2016 in accordance with forecast September-December 2016 expenditures set out in table 2.

Overall financing overview: up-front appropriation and loans in United States dollars[a]

(Millions of United States dollars)

	Strategic heritage plan project period (2014-2023)											*Loan repayment period (2024-2068) to be appropriated under the United Nations regular budget*			*Overall cost to Member States*
	2014	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*Total*	*2024-2052*	*2053-2068*	*Total*	
A. Appropriation, coupled with a long-term loan arrangement															
Member State appropriation	15.3	28.5	32.6	355.3	–	–	–	–	–	–	431.8				431.8
Swiss loan new construction 0.0%	–	–	–	37.1	57.6	28.6	–	–	–	–	123.3				
Swiss loan renovation 0.0%	–	–	–	–	–	–	37.5	81.5	142.5	9.7	271.1				
Other donations[b]	–	–	–	–	–	1.9	–	–	–	–	1.9				
Expected inter-annual carry-over[c]	–	–	(1.7)	1.7	–	–	–	–	–	–	–				
Total financing sources	**15.3**	**28.5**	**30.9**	**394.2**	**57.6**	**30.5**	**37.5**	**81.5**	**142.5**	**9.7**	**828.1**				
Member State appropriation for repayment of loans															
Swiss loan new construction 0.0%	–	–	–	–	–	2.5	2.5	2.5	2.5	2.5	12.3	71.5	39.5	111.0	123.3
Swiss loan renovation 0.0%	–	–	–	–	–	–	–	–	–	9.0	9.0	262.1		262.1	271.1
Subtotal appropriation loan repayment	–	–	–	–	–	**2.5**	**2.5**	**2.5**	**2.5**	**11.5**	**21.4**	**333.6**	**39.5**	**373.1**	**394.5**
Total Member State appropriation	**15.3**	**28.5**	**32.6**	**355.3**	–	**2.5**	**2.5**	**2.5**	**2.5**	**11.5**	**453.1**	**333.6**	**39.5**	**373.1**	**826.2**
B. Full financing through appropriation on Member States without long-term loan arrangement															
Member State appropriation	15.3	28.5	32.6	749.8	–	–	–	–	–	–	826.2				

[a] Figures for 2014 and 2015 have been converted from Swiss francs to United States dollars using the rates of exchange applicable to the final appropriation for the biennium 2014-2015 (schedule 4, A/70/557), i.e., at 0.912 for 2014 and 0.956 for 2015. Figures for 2016 and onward are converted from Swiss francs to United States dollars using the exchange rate of 1.014 applicable to the initial appropriation for the biennium 2016-2017.

[b] The amount specified refers to a financial contribution from China.

[c] The specified amount refers to an expected 2016 year-end balance from the approved funding for 2014-2016 in accordance with the forecast September-December 2016 expenditures set out in table 2.

Table A 2.1

Overall financing overview: appropriation and loan(s) according to annual projected expenditures in Swiss francs

(Millions of Swiss francs)

	Strategic heritage plan project period (2014-2023)											*Loan repayment period (2024-2068) to be appropriated under the United Nations regular budget*			*Overall cost to Member States*
	2014	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*Total*	*2024-2052*	*2053-2068*	*Total*	
A. Appropriation, coupled with a long-term loan arrangement															
Member State appropriation	15.6	25.6	33.1	10.5	33.8	52.5	95.8	59.6	91.2	16.9	434.6				434.6
Swiss loan new construction 0.0%	–	–	–	37.7	58.4	29.0	–	–	–	–	125.1				
Swiss loan renovation 0.0%	–	–	–	–	–	25.4	95.8	59.6	91.2	3.0	274.9				
Other donations[a]	–	–	–	–	–	1.9	–	–	–	–	1.9				
Expected inter-annual carry-over[b]	–	–	(1.7)	1.7	–	–	–	–	–	–	–				
Total financing sources	**15.6**	**25.6**	**31.4**	**49.9**	**92.2**	**108.7**	**191.5**	**119.2**	**182.5**	**19.9**	**836.5**				
Member State appropriation for repayment of loans															
Swiss loan new construction 0.0%						2.5	2.5	2.5	2.5	2.5	12.5	72.5	40.0	112.6	125.1
Swiss loan renovation 0.0%										9.2	9.2	265.8		265.8	274.9
Subtotal appropriation loan repayment	–	–	–	–	–	**2.5**	**2.5**	**2.5**	**2.5**	**11.7**	**21.7**	**338.3**	**40.0**	**378.3**	**400.0**
Total Member State appropriation	**15.6**	**25.6**	**33.1**	**10.5**	**33.8**	**55.0**	**98.3**	**62.1**	**93.7**	**28.6**	**456.3**	**338.3**	**40.0**	**378.3**	**834.6**
B. Full financing through appropriation on Member States without long-term loan arrangement															
Member State appropriation	15.6	25.6	33.1	48.2	92.2	106.8	191.5	119.2	182.5	19.9	834.6				

[a] The amount specified refers to a financial contribution from China.

[b] The specified amount refers to an expected 2016 year-end balance from the approved funding for 2014-2016 in accordance with the forecast September-December 2016 expenditures set out in table 2.

Overall financing overview: appropriation and loan(s) according to annual projected expenditures in United States dollars[a]

(Millions of United States dollars)

	Strategic heritage plan project period (2014-2023)											*Loan repayment period (2024-2068) to be appropriated under the United Nations regular budget*			*Overall cost to Member States*
	2014	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*Total*	*2024-2052*	*2053-2068*	*Total*	
A. Appropriation, coupled with a long-term loan arrangement															
Member State appropriation	15.3	28.5	32.6	10.3	33.3	51.7	94.4	58.8	90.0	16.7	431.8				431.8
Swiss loan new construction 0.0%	–	–	–	37.1	57.6	28.6	–	–	–	–	123.3				
Swiss loan renovation 0.0%	–	–	–	–	–	25.0	94.4	58.8	90.0	2.9	271.1				
Other donations[b]	–	–	–	–	–	1.9	–	–	–	–	1.9				
Expected inter-annual carry-over[c]	–	–	(1.7)	1.7	–	–	–	–	–	–	–				
Total financing sources	**15.3**	**28.5**	**30.9**	**49.2**	**90.9**	**107.2**	**188.9**	**117.6**	**180.0**	**19.6**	**828.1**				
Member State appropriation for repayment of loans															
Swiss loan new construction 0.0%	–	–	–	–	–	2.5	2.5	2.5	2.5	2.5	12.3	71.5	39.5	111.0	123.3
Swiss loan renovation 0.0%	–	–	–	–	–	–	–	–	–	9.0	9.0	262.1		262.1	271.1
Subtotal appropriation loan repayment	–	–	–	–	–	**2.5**	**2.5**	**2.5**	**2.5**	**11.5**	**21.4**	**333.6**	**39.5**	**373.1**	**394.5**
Total Member State appropriation	**15.3**	**28.5**	**32.6**	**10.3**	**33.3**	**54.2**	**96.9**	**61.3**	**92.4**	**28.2**	**453.1**	**333.6**	**39.5**	**373.1**	**826.2**
B. Full financing via appropriation upon Member States without long-term loan arrangement															
Member State appropriation	15.3	28.5	32.6	47.5	90.9	105.3	188.9	117.6	180.0	19.6	826.2				

[a] Figures for 2014 and 2015 have been converted from Swiss francs to United States dollars using the rates of exchange applicable to the final appropriation for the biennium 2014-2015 (schedule 4, A/70/557), i.e., at 0.912 for 2014 and 0.956 for 2015. Figures for 2016 and onward are converted from Swiss francs to United States dollars using the exchange rate of 1.014 applicable to the initial appropriation for the biennium 2016-2017.

[b] The amount specified refers to a financial contribution from China.

[c] The specified amount refers to an expected 2016 year-end balance from the approved funding for 2014-2016 in accordance with the forecast September-December 2016 expenditures set out in table 2.

Table A.2.2

Overall financing overview: equal annual appropriation and loan(s) in Swiss francs

(Millions of Swiss francs)

	Strategic heritage plan project period (2014-2023)											*Loan repayment period (2024-2068) to be appropriated under the United Nations regular budget*			*Overall cost to Member States*
	2014	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*Total*	*2024-2052*	*2053-2068*	*Total*	
A. Appropriation, coupled with a long-term loan arrangement															
Member State appropriation	15.6	25.6	33.1	57.2	57.2	57.2	57.2	57.2	57.2	16.9	434.6				434.6
Swiss loan new construction 0.0%	–	–	–	37.7	58.4	29.0	–	–	–	–	125.1				
Swiss loan renovation 0.0%	–	–	–	–	–	–	84.7	62.0	125.2	3.0	274.9				
Other donations[a]	–	–	–	–	–	1.9	–	–	–	–	1.9				
Expected inter-annual carry-over[b]	–	–	(1.7)	1.7	–	–	–	–	–	–	–				
Total financing sources	**15.6**	**25.6**	**31.4**	**96.6**	**115.6**	**88.1**	**142.0**	**119.2**	**182.5**	**19.9**	**836.5**				
Member State appropriation for repayment of loans															
Swiss loan new construction 0.0%						2.5	2.5	2.5	2.5	2.5	12.5	72.5	40.0	112.6	125.1
Swiss loan renovation 0.0%										9.2	9.2	265.8		265.8	274.9
Subtotal appropriation loan repayment	–	–	–	–	–	**2.5**	**2.5**	**2.5**	**2.5**	**11.7**	**21.7**	**338.3**	**40.0**	**378.3**	**400.0**
Total Member State appropriation	**15.6**	**25.6**	**33.1**	**57.2**	**57.2**	**59.7**	**59.7**	**59.7**	**59.7**	**28.6**	**456.3**	**338.3**	**40.0**	**378.3**	**834.6**
B. Full financing through appropriation on Member States without long-term loan arrangement															
Member State appropriation	15.6	25.6	33.1	126.7	126.7	126.7	126.7	126.7	126.7	–	834.6				

[a] The amount specified refers to a financial contribution from China.

[b] The specified amount refers to an expected 2016 year-end balance from the approved funding for 2014-2016 in accordance with the forecast September-December 2016 expenditures set out in table 2.

Overall financing overview: equal annual appropriation and loan(s) in United States dollars[a]

(Millions of United States dollars)

	Strategic heritage plan project period (2014-2023)											*Loan repayment period (2024-2068) to be appropriated under the United Nations regular budget*			*Overall cost to Member States*
	2014	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*Total*	*2024-2052*	*2053-2068*	*Total*	
A. Appropriation, coupled with a long-term loan arrangement															
Member State appropriation	15.3	28.5	32.6	56.4	56.4	56.4	56.4	56.4	56.4	16.7	431.8				431.8
Swiss loan new construction 0.0%	–	–	–	37.1	57.6	28.6	–	–	–	–	123.3				
Swiss loan renovation 0.0%	–	–	–	–	–	–	83.6	61.1	123.5	2.9	271.1				
Other donations[b]	–	–	–	–	–	1.9	–	–	–	–	1.9				
Expected inter-annual carry-over[c]	–	–	(1.7)	1.7	–	–	–	–	–	–	–				
Total financing sources	**15.3**	**28.5**	**30.9**	**95.3**	**114.0**	**86.9**	**140.0**	**117.6**	**180.0**	**19.6**	**828.1**				
Member State appropriation for repayment of loans															
Swiss loan new construction 0.0%	–	–	–	–	–	2.5	2.5	2.5	2.5	2.5	12.3	71.5	39.5	111.0	123.3
Swiss loan renovation 0.0%	–	–	–	–	–	–	–	–	–	9.0	9.0	262.1		262.1	271.1
Subtotal appropriation loan repayment	–	–	–	–	–	**2.5**	**2.5**	**2.5**	**2.5**	**11.5**	**21.4**	**333.6**	**39.5**	**373.1**	**394.5**
Total Member State appropriation	**15.3**	**28.5**	**32.6**	**56.4**	**56.4**	**58.9**	**58.9**	**58.9**	**58.9**	**28.2**	**453.1**	**333.6**	**39.5**	**373.1**	**826.2**
B. Full financing through appropriation on Member States without long-term loan arrangement															
Member State appropriation	15.3	28.5	32.6	125.0	125.0	125.0	125.0	125.0	175.0	–	826.2				

[a] Figures for 2014 and 2015 have been converted from Swiss francs to United States dollars using the rates of exchange applicable to the final appropriation for the biennium 2014-2015 (schedule 4, A/70/557), i.e., at 0.912 for 2014 and 0.956 for 2015. Figures for 2016 and onward are converted from Swiss francs to United States dollars using the exchange rate of 1.014 applicable to the initial appropriation for the biennium 2016-2017.

[b] The amount specified refers to a financial contribution from China.

[c] The specified amount refers to an expected 2016 year-end balance from the approved funding for 2014-2016 in accordance with the forecast September-December 2016 expenditures set out in table 2.

Annex II

Status of implementation of recommendations of the Board of Auditors contained in its report on the strategic heritage plan[a]

Recommendation	*Action reported by management*
Monitor the implementation of various activities to minimize time overruns and take proactive remedial measures to meet project timelines without any dilution of the quality and scope of the project deliverables.	Implemented
Expedite such activities as the development of project manuals, including change control, ensure the inclusion of security standards at the design stage and maintain a consultation process with all stakeholders to ensure a smooth transition.	Implemented
Formulate specific risk mitigation plans for each identified risk area so that there is no impediment during the course of implementation of the project that compromises stipulated cost or timelines.	Implemented
Refine and update the preliminary budget estimates on the basis of a standard schedule and proper analysis of rates with reference to standardized pricing books and established industry guidelines set by internationally recognized standard-setting bodies with enhancement for local conditions, as necessary.	Implemented
Refine the terms of reference of the Advisory Board and the Steering Committee for clarity, with clear definition of their responsibilities and jurisdiction.	In progress
Ensure adherence to the provisions of the Financial Regulations and Rules of the United Nations and the Procurement Manual to protect the interests of the Organization and minimize deviations there from. Where such deviations are deemed necessary, there must be clear and transparent justification along with approval of the competent authorities.	Implemented

[a] A/70/569.